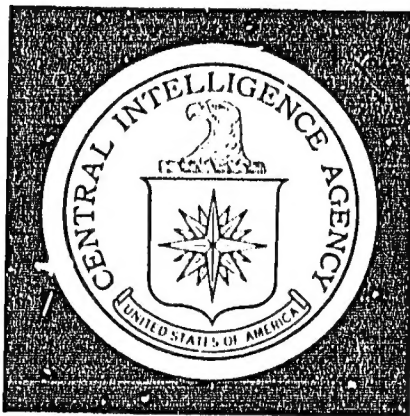


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NORTH VIETNAM - USSR - CHINA: Hanoi has so far failed to comment on President Nixon's planned visit to the Soviet Union, although it probably recognizes the trip will intensify speculation abroad that a war settlement may be eventually reached behind Hanoi's back.

The only Vietnamese Communist response so far has come from a Viet Cong spokesman in Paris who attempted to minimize the significance of the President's trip by claiming that it was an internal matter between the US and the Soviet Union. As yet, there is no indication that the Vietnamese plan to level the kind of criticism at Moscow that they directed at Peking in the wake of its decision to host the President. Although Hanoi has never commented directly on the China trip, its propaganda for several weeks following the announcement was filled with statements indicating suspicion of a Chinese sellout.

Visits to North Vietnam by a Chinese politburo member in late September and subsequently by Soviet President Podgorny doubtless served to reassure the Vietnamese somewhat concerning the intentions of Moscow and Peking. Both visits produced substantial economic aid grants for North Vietnam and pledges of support for Vietnamese proposals on a war settlement.

Hanoi will probably now intensify its effort to portray these agreements as indications of complete backing from its allies. The North Vietnamese ambassador in Paris recently claimed the Chinese visit had produced the largest aid package ever concluded between Peking and Hanoi. If so, the new commitment could carry a price tag of at least \$225 million, the value of total Chinese military and economic assistance in the peak year of 1967. The 1970 total was an estimated \$180 million.

Although no details are known of Moscow's aid package, the Soviet allusions to their generosity following the agreement in Hanoi suggest that aid

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for 1972 will at least match Moscow's commitment for the present year, some \$400 million of economic and military assistance.

In the past, Soviet and Chinese aid has not been translated into substantial political influence in Hanoi, in part because Sino-Soviet rivalry left Hanoi free to pursue its own path. If the upcoming summit meetings, however, should convince Hanoi that both Moscow and Peking, for their own interests, were changing their views on the war, the Vietnamese Communists might be inclined to alter their own approach to a war settlement. (SECRET NO FOREIGN DISSEM)

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INDIA-PAKISTAN: Indian leaders continue to emphasize that they are primarily concerned with the return of the Pakistani refugees.

Both Prime Minister Gandhi and Foreign Minister Swaran Singh, in several speeches this week, asserted that India's main concern is the return of the over nine million East Pakistani refugees now in India. Commenting on the frequently asked question of when India would grant formal recognition to an independent East Pakistani regime, Mrs. Gandhi stated on 14 October that recognizing Bangla Desh is "not going to help." The prime minister had earlier said "what we want is that the refugees be taken back in safety and dignity."

Indian leaders are also emphasizing that they are willing to buy any solution to the Pakistani problem that is acceptable to the elected leaders of East Pakistan. Last weekend Singh, speaking at a Ruling Congress Party conference, said India would accept a settlement of the East Pakistani problem "within the framework of Pakistan, or independence, or regional autonomy." Singh explained, however, that Islamabad must work out a solution with East Pakistan's "already elected" representatives.

Mrs. Gandhi has been less specific. According to her, it is for the "Bengali people" or "the people of Bangla Desh" to decide their fate. Her formulation does not refer directly to the "already elected" representatives of East Pakistan. These are the leaders of the province's popular Awami League. The party is banned now, but it won a majority of National Assembly seats in elections last December. India would probably not accept an agreement which excluded these leaders. (CONFIDENTIAL)

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INTERNATIONAL OIL: The Organization of Petroleum Exporting Countries has formulated its demands on the oil companies for increased revenue to offset the decline in the value of the dollar.

A meeting of central bankers from the 11 member states was held in Vienna this week, and recommendations were drawn up to guide OPEC members in their talks with the oil companies. The first showdown will take place between the Persian Gulf OPEC members and Western oil companies "very soon." The ministers of finance from Kuwait and Iran will represent all Gulf members. They will seek a ten-percent increase in posted prices retroactive to 15 August. Lengthy negotiations are likely to ensue; a "progress report" on discussions already is scheduled for the next OPEC ministerial meeting on 7 December.

The oil companies will probably resist the demands and prolong the negotiations as long as possible. Their initial position apparently will be that any OPEC effort involving price adjustment would violate the five-year revenue pacts signed this year. A compromise settlement is, however, likely.

The other complicated and contentious issue--OPEC's demand for "participation" in Western oil company operations within member countries--will probably be put off until the devaluation issue is settled. (CONFIDENTIAL)

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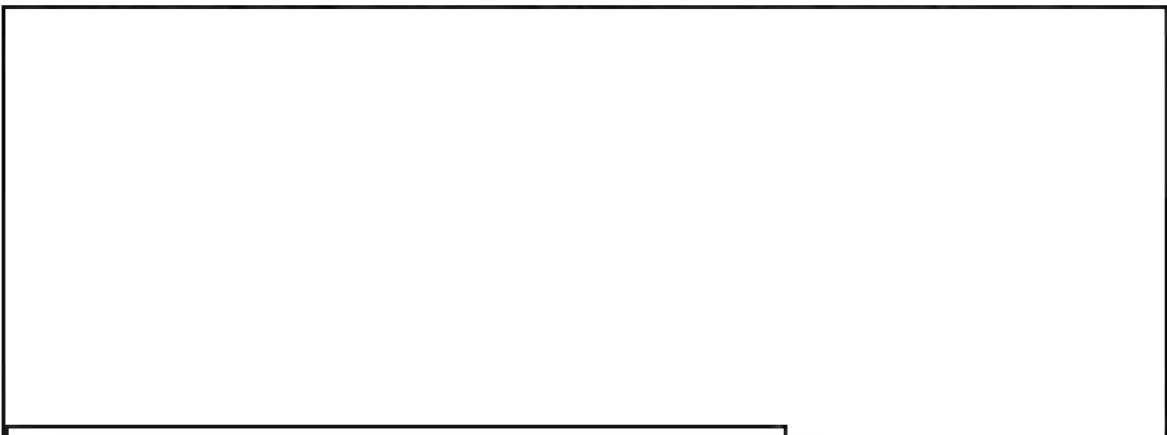
WESTERN EUROPE: West European countries are contemplating a summit meeting early next year to give new impetus and direction to the unification movement.

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The summit would be the first since the successful Hague conference of the Six at the end of 1969 and the first including both present and prospective Community members.

25X1X



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the general interest in a high-level review of Europe's future reflects more basic considerations. With the enlargement of the EC now almost certain and with the commercial, political, and military implications for Europe of the US' new economic policy still unclear, many West Europeans feel a strong need for a basic reassessment of where they are heading.

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There have also been signs that the Community members and applicants are not content with existing mechanisms. Even the French, who have been reluctant to institutionalize the consultations on foreign policy initiated last year, recently indicated that the current procedures are inadequate. (CONFIDENTIAL NO FOREIGN DISSEM)

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CHILE: Many military officers reportedly are dissatisfied with the effects of the Popular Unity government's political and economic programs.

Some officers who until recently hoped that Allende would improve the lot of most Chileans are growing skeptical. They are particularly critical of the latitude given the pro-Moscow Communist Party and leftist extremists. Several ranking officers reportedly plan to complain directly to Allende. They will include a request that the military not be exploited for his government's political purposes.

25X1C

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Top government officials, including Allende, are concerned over evidence of military dissatisfaction and will try to blunt it. Pay raises and reassurances would placate some officers. Others particularly mistrusted by the government could be isolated and differences among them exacerbated.
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COMMUNIST CHINA - ETHIOPIA: Peking agreed to provide its first economic aid to Ethiopia during Emperor Haile Selassie's recent visit to China. [REDACTED]

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[REDACTED] The first projects to be undertaken will be in agricultural development, and the only Chinese technicians initially scheduled to go to Ethiopia will be for these projects. Ethiopia established diplomatic relations with Communist China last year. It has now found a new source of assistance for much-desired agricultural development and further strengthened its credentials as a nonaligned nation. It is not known, however, whether the Emperor was able to induce the Chinese to suspend their assistance to insurgents operating in Eritrea. (SECRET NO FOREIGN DISSEM)

* * * *

SOUTH KOREA: The government's decisive action yesterday in authorizing police and army forces to seize and close Seoul's major universities has nonetheless been tempered by caution to minimize an adverse aftermath. Only a small percentage of the estimated 500 students arrested are to be held for trial, and the military presence on the campuses has already been reduced. Pak, moreover, has not criticized either the opposition New Democratic Party, which had condemned the current actions, or any particular student organization. Rather, he has chosen the safe course of claiming that Pyongyang's hostility toward the South and its efforts to manipulate South Korean students caused him to act. Despite all this, the issues behind the student demonstrations remain unresolved. There could be further outbursts once the pressures of the moment ease. (CONFIDENTIAL)

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USSR-LEBANON: A Soviet military delegation is scheduled to arrive in Lebanon on 21 October to pursue discussions on Beirut's purchase of Soviet military equipment. Beirut announced last summer it would purchase ground forces equipment from Moscow, reportedly in order to quiet leftists in the Lebanese Government and elicit additional aid from Western suppliers. The Soviets have shown greater interest in Lebanon since the anti-Communist purge in the Sudan. Moscow apparently wants to expand its ties to Arab states not affiliated with the Confederation of Arab Republics, the formation of which probably has heightened Soviet interest in arms talks with Lebanon, South Yemen, and Iraq and partially accounts for Kosygin's visits to Algeria and Morocco. (SECRET NO FOREIGN DISSEM)

* * * *

GREECE: The Greek Government has warned the West German Government that economic ties between the two countries are dependent on their political relations. The minister of national economy, at the signing of an agreement for construction projects with West German firms, publicly expressed Athens' displeasure over the German ambassador's insistence on meeting with opposition politicians. Athens has little economic leverage for influencing Bonn's policy. The West German market, however, is of great importance to Greece, taking about 20 percent of Greek exports and supplying a large share of its emigrants' remittances. (CONFIDENTIAL)

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ANDEAN GROUP: The Washington visit last week by officials of the Andean Development Corporation marked the conclusion of their worldwide effort to increase the organization's capital resources. In discussions with US officials, they pressed mainly for \$10 million from AID to enable the corporation to make loans to the private sector. This meeting follows similar exploratory discussions in several West European and Communist capitals, as well as in Ottawa and Tokyo. The main objective of the corporation, which began operation in June 1970, is to promote integration among the group's members through regional investment in industrial and other projects. Thus far, its capital resources are limited to the \$25 million subscribed by member countries, but officials hope that foreign credits will increase the figure to \$150 million by 1974. (CONFIDENTIAL)

* * * *

PERU: Lima has signed an agreement with W. R. Grace and Company providing compensation for the Cartavio and Paramonga sugar estates and properties. These were seized in 1969 by the Velasco government under its agrarian reform law. The agreement, which is apparently acceptable to the company, followed extensive negotiations. The final price will depend on a technical-financial audit to determine the current value of the properties. Grace has agreed to assist the government in finding financing for its immediate purchase of majority ownership, but the company's management team will remain in charge of the properties until its equity is reduced to about one third. At that time, company control will shift to a management contract basis. This settlement should bolster Peru's improving image with foreign investors, reflected in recent weeks in important development contracts in the oil, copper, and fishing industries. (CONFIDENTIAL)

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